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SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

The three principal issues of concern to the US at the 1 June Assembly of the International Civil Aviation Organization at Geneva to be discussed are: (1) a convention for international recognition of rights in aircraft, acceptance of which would greatly benefit US aviation interests; (2) a regional pooling of European international air services which, though a logical step in European economic cooperation under ERP, would sharpen competition with US airlines; and (3) control of private and non-scheduled aircraft engaged in international operations. Effective controls are urgently needed in view of the increasing air activities of an illicit and clandestine nature affecting US security.

Increasing turmoil in the Near East is seriously affecting the ability of foreign airlines including US scheduled and irregular carriers to transit the area. It is probable that US commercial air carriers will be forced in the immediate future to substantially reduce their operations through the Arab States.

The Czechoslovak Government is sponsoring the shipment of arms by air to Jewish forces in Palestine. A number of US owned air transports are assisting in this traffic under direct supervision of the Czechoslovak security police.

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SECTION II. CURRENT DEVELOPMENTS

Prominent Issues Arising at the Geneva Assembly of ICAO

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Discussions of the forthcoming Second Assembly of the International Civil Aviation Organization (ICAO), convening at Geneva on 1 June, will center upon three principal issues of direct concern to US aviation interests.

The most significant formal issue anticipated by the US Delegation will be the consideration for approval and signature of a draft convention on international recognition of rights in aircraft. Sponsors of the convention believe that it would facilitate and encourage the international financing of aircraft purchases, thus materially benefiting both US international airlines and the US aircraft industry. The US, therefore, strongly favors the acceptance of this convention in substantially its present form and will oppose an anticipated move to defer its adoption.

There will be at least informal discussion at Geneva, led by the UK and France, of European regional pooling of international air services. The anticipated operating economies to be realized from a consolidation of present services and facilities are regarded as a logical corollary of the economic cooperation envisaged by the European Recovery Program. Joint regional airline operations would adversely affect the competitive position of US-flag airlines, particularly if extended to international routes outside the region. However, the US will not oppose joint operating arrangements unless there is an attempted discriminatory restriction of US traffic rights in favor of the consolidated regional services. While the US would not participate in any pooling arrangements at the present time, their development is a potential threat to US aviation interests.

Discussion is also expected at Geneva on the question of control of the international movement of non-scheduled aircraft. The substantial freedom of international irregular operators from security regulation, together with deteriorating world political conditions, has led to increasing irresponsible use of civil aircraft in various illicit operations. (See Transportation Group Weekly Summaries No. 6, 7 and 9). The para-military nature of these operations has directly affected the security of the US and certain other nations. A similar freedom of irregular carriers from international economic and safety regulation has enabled them to provide serious and unfair competition to the highly regulated scheduled airlines. Although no immediate action may be taken at Geneva, the US will favor consideration of the possibility of more stringent control over the international movement of non-scheduled aircraft.

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~~SECRET~~Future US Commercial Air Operations in Near East

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Increasing turmoil in the Near East is seriously affecting the ability of foreign airlines including US scheduled and irregular carriers to transit the area. Air operations in support of US oil interests will now be routed through Khartoum to avoid the new stringent Egyptian regulations designating air corridors and restricted areas, and prohibiting night flying. Syria has issued similar regulations, thus limiting possible US use of the big airfield at Damascus. The important international traffic exchange point at Lydda, formerly used by US and other foreign air carriers, is no longer operational. In Iraq, US commercial air operations, through the airport at Basra, have continued since 8 May on the tenuous basis of an oral promise by the Iraq Undersecretary of Foreign Affairs "to press for early cabinet action" to renew the expired temporary permit for US air carriers. The current situation in Egypt (necessitating the suspension of all US Air Force flights through Cairo), increases the importance of Dhahran in Saudi Arabia as a vital link in US round-the-world service. However, this base lacks facilities for handling passenger traffic except on an emergency basis and its free use by commercial aviation depends on the agreement of an absolute monarch. It is probable that in the immediate future, US commercial air carriers may be forced to substantially reduce their operations throughout the Near East.

Peruvian Suspension of US-Flag Airline's Operations Averted

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A Peruvian Presidential decree suspending that country's permit for inauguration of the US Braniff Airlines service through Lima on a proposed route to Rio de Janeiro and Buenos Aires, has been withheld due to prompt US intervention. Such action would have violated the US-Peruvian bilateral air agreement of 27 December 1946, which provides for the continued operation of air services authorized by the agreement, pending US-Peruvian consultation in the event of a dispute. The Presidential decree was drawn up apparently in response to pressure from influential Peruvian interests, including Peruvian International Airways (PIA). (PIA will be in direct competition with Braniff on the Habana-Panama-Lima sector of its route.) The Peruvian Government has now agreed to abide by its commitments under the bilateral agreement and has indicated its desire to discuss with US aviation authorities points of difference between the two governments regarding air services.

Establishment of a second US-flag air service to South America has been a long-range objective of US postwar aviation policy. Braniff's Latin American route was originally authorized as a direct result of President

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Truman's request for the certification of a second US airline to Rio de Janeiro and Buenos Aires. The President's recommendation was based upon "certain factors relating to our broad national welfare and other matters for which the Chief Executive has special responsibility."

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The signing of a liberal non-restrictive bilateral air agreement between Turkey and the Arab States of Transjordan, Iraq, and Lebanon indicates a weakening of past Arab League solidarity in the field of commercial aviation. The Arab States have long attempted to limit foreign airlines to provisional operating rights and to reserve air traffic within the Arab bloc to their own air carriers. Turkey thus becomes the first foreign power (excepting the US which has formal agreements with Egypt, Lebanon, and Syria) to conclude a non-restrictive air agreement with any Arab State.

The India-Sweden bilateral air transport agreement signed at New Delhi on 21 May has apparently been liberalized since the original draft agreed upon by negotiators proved unacceptable to the Swedish Government. The Indian Government, to protect its international airline (Air India International Ltd.) on its Bombay to London route, had attempted to deny the Swedish line competitive traffic rights on parallel routes between New Delhi and Geneva.

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The Czechoslovak Government is sponsoring the shipment of arms by air to Jewish forces in Palestine. This traffic is closely guarded and the loading of aircraft at Prague is undertaken with assistance from the Security Police. The quantity of arms shipped is not known but can be estimated on the basis of the large number of special flights by Czechoslovak Airlines (CSA) through Italy and Greece to Palestine during the past two months as well as from the activities of a US-owned C-54 and several C-46 air transports which have shuttled between ZATEC and Prague in Czechoslovakia and Beit Daras (a former RAF airfield near Lydda) in Palestine.

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